

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 849 - SB 1415**

March 26, 2021

**SUMMARY OF BILL:** Creates the “Grow Jobs Through Employee Ownership Act”. Creates a Center for Employee Ownership (the Center), which is to operate as a unit of the University of Memphis for the purposes of conducting studies, providing education, organizing workshops, distributing material, consulting with businesses, providing a referral service, supporting growth, providing support, and ensuring awareness with regard to various aspects of employee ownership. Requires the University of Memphis to submit a report before January 1, 2023 to the Governor and the members of the General Assembly regarding low-interest loans to support employee owned businesses.

Requires the Department of Economic and Community Development (ECD) in cooperation with the Center, to submit a report before January 1, 2022 to the Governor and members of the General Assembly, regarding whether or not there is a need for changes to the franchise and excise tax laws of this state to facilitate the creation or expansion of employee owned businesses.

Requires that 50 percent of any sale of a business that results in the employees owning 50 percent of the business or more be subtracted from the net earnings and losses as it pertains to the calculation of excise taxes.

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures: \$291,700/FY21-22 and Subsequent Years**

**Other Fiscal Impact-** Should any sale of a business occur, as laid out in the proposed legislation, the state would experience a decrease in revenue that would have otherwise been collected in absence of this legislation. The extent and timing of any such decrease cannot be reasonably determined.

Assumptions:

*The Center:*

- Based on the Ohio Employee Ownership Center at Kent State University, it is estimated that the newly created center in the proposed legislation would require four positions beginning in FY21-22: a director at \$118,692 (\$96,000 salary + \$22,692 benefits), an office manager at \$41,729 (\$30,000 salary + \$11,729 benefits), a researcher at \$72,048 (\$56,000 salary + \$16,048 benefits), and a communication assistant at \$59,221 (\$45,000 salary + \$14,221 benefits).

- The total increase in state expenditures in FY21-22 and subsequent years is estimated to be \$291,690 (\$118,692 + \$41,729 + \$72,048 + \$59,221).

*Required studies:*

- Based on the requirements of the Center, it is estimated that the cooperation between the Center and ECD for creating these reports would be absorbable within the combined existing ECD staff and resources and the staff and resources created for the Center.
- Furthermore, any information necessary from the Department of Revenue (DOR) to assist in the completion of this study is considered to be readily available and providing that information is estimated to be absorbable within existing DOR staff and resources.

*50 percent Excise tax provision:*

- Based on information from DOR, subtracting 50 percent of the sales of a business being sold to its employees, when that sale makes the employees the majority shareholders, would cause a significant decrease in state revenue from excise taxes, should such a sale occur.
- The precise decrease in state revenue, if any, is dependent on the number and extent of such sales and cannot be reasonably determined.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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